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## ***Bans and Restrictions on the Use of Trademarks and Consumers' Health (\*)***

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*The article analyses to what extent the use of brands on packaging in the field of tobacco, alcohol and food can be prohibited or restricted by governments to protect consumers' health. After introducing the most important packaging-related measures adopted or proposed in the industries in question and highlighting the differences between the concepts of "registration" and "use" of brands, the paper will make the point that the TRIPS Agreement and the Paris Convention do not offer trademark owners a positive right to use brands, but just a negative right (i.e. the right to prevent third parties from exploiting the sign), which makes the measures analysed in the paper lawful and compliant with those international treaties. In light of the evidence gathered thus far, the measures in question seem also to be capable of meeting the desired target, namely consumers' health.*

### **Introduction**

This study aims to analyse the extent the use of brands, especially on packaging, can be prohibited or restricted by public authorities to protect consumers' health. The analysis appears to be timely as of late a wave of regulatory measures have been adopted or proposed in several jurisdictions which prevent manufacturers of harmful products from fully using their trademarks in order to embellish and promote their goods. The products which have been particularly targeted by such measures are tobacco, alcohol and (what is considered) unhealthy food.<sup>1</sup>

After introducing the most important packaging-related measures adopted or proposed in the industries in question, I will delve into the debate about whether the TRIPS Agreement and the Paris Convention offer trademark owners just a *negative* right (i.e. the right to prevent third parties from exploiting the sign) or also the *positive* right to use it. By highlighting the difference between the concepts of "registration" and "use" of brands and other relevant issues, I will conclude that just a negative right is offered, which makes the measures analysed in the paper lawful and compliant with those international treaties. I will also verify whether such measures are effective and compliant with specific TRIPS' provisions on trademarks and the protection of public interests.

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<sup>1</sup> The adoption of most of these measures has been triggered by a set of international regulatory instruments, e.g. the legally binding WHO *Framework Convention on Tobacco Control* (FCTC)<sup>1</sup> as well as certain soft law instruments such as the WHO Strategies on Alcohol and Diets, the 2011 United Nations ('UN') Political Declaration on NCDs and the WHO Global Action Plan for the Prevention and Control of NCDs 2013-2020. See also the WHO Global Strategy to Reduce the Harmful Use of Alcohol (2010), WHA63.13; WHO Global Strategy on Diet, Physical Activity and Health (2004), WHA57.17; *Political Declaration of the High-level Meeting of the General Assembly on the Prevention and Control of Non-communicable Diseases*, GA Res 2, UN GAOR, 66<sup>th</sup> sess, 3<sup>rd</sup> plen mtg, UN Doc A/Res/66/2 (2012); WHO Global Action Plan for the Prevention and Control of NCDs, Resolution WHA66.10 endorsed by the 66th WHO World Health Assembly.

The scope of the analysis will not be limited to just one jurisdiction – I will instead take into account several regulatory measures adopted or proposed in Europe, United States, Australia and other countries. A significant number of national and international disputes will also be considered. The paper will not cover restrictions on use of brands in the pharmaceutical industry, which also experiences limitations on public health grounds: these measures are out of scope of the present analysis.

## **Regulatory measures which restrict the use of trademarks in the fields of tobacco, alcohol and food**

Generally speaking, companies tend to present their goods in such a way as to induce consumers to make purchase decisions. Brands affixed on packaging, including fancy words, logos and colours, are the privileged means to communicate this message to prospective purchasers. It therefore does not come as a surprise that more and more regulators and policy makers around the world have started adopting measures that prohibit or restrict the use of trademarks on packaging in connection with products that are considered harmful. Their aim is to make such goods less appealing and thus discourage consumption, mainly on the assumption that less exposure of existing and potential customers to brands and other packaging features reduces the chances of purchase.<sup>2</sup>

### *Tobacco*

The case of tobacco is particularly relevant. Measures have recently been adopted or proposed that aim to prevent tobacco companies from fully displaying on packaging the fancy elements of their trademarks. The most striking example within this category of measures is plain packaging of tobacco products. Bans on misleading packaging and compulsory health warnings have also been adopted which aim at avoiding consumers' deception about the health consequences of tobacco consumption.

Also known as “generic” or “standardised packaging”, plain packaging requires that all forms of tobacco branding be labelled exclusively with simple, unadorned text. This entails that trademarks, graphics and logos be removed from cigarette packs, except for the brand name and variant, which are displayed in a standard font identical for all brands in the market. In essence, plain packaging aims at standardising the appearance of all cigarette boxes in order to make them unappealing,<sup>3</sup> especially for adolescents, thus reducing the prevalence and up-take of smoking. To the eyes of tobacco majors, this is a strong limitation of their commercial freedom, especially in those countries where almost all forms of tobacco advertising are prohibited and thus packaging has become their ultimate marketing tool. Indeed, cigarette packs, once opened, remain in the hands of final consumers and constitute a powerful means of “mobile” advertising.<sup>4</sup>

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<sup>2</sup> See Rebecca Tushnet, “Gone in Sixty Milliseconds: Trademark Law and Cognitive Science” (2008) Texas Law Review, Vol. 86 Issue 3, 508 (noting in particular that “cognitive science is especially attractive to trademark law because trademark protection is premised on a psychological assumption: exposure to a mark will trigger ideas and emotions in the mind of a consumer”).

<sup>3</sup> See Becky Freeman, Simon Chapman and Matthew Rimmer, “The Case for the Plain Packaging of Tobacco Products” (2007) 103(4) Addiction 580; Alberto Alemanno and Enrico Bonadio, “The Case of Plain Packaging for Cigarettes” (2010) 3 European Journal of Risk Regulation, p. 268.

<sup>4</sup> Plain packaging is endorsed by the FCTC, and more precisely by the guidelines to Arts 11 and 13 to this treaty, which expressly recommend that states consider adopting such measures. See WHO Framework Convention on Tobacco Control: Guidelines for Implementation (2011) 59, 95–96 (“Guidelines to the WHO FCTC”).

Plain packaging has been implemented in Australia.<sup>5</sup> It has also been recently announced or taken into serious consideration in Ireland and United Kingdom<sup>6</sup> as well as South Africa, New Zealand and India.<sup>7</sup> Also, in March 2014 the EU adopted a revised EU Tobacco Products Directive.<sup>8</sup> While the new directive does not mandate plain packaging, it leaves EU Member States free to introduce such measure. The Australian legislation on plain packaging has been challenged by leading tobacco majors such as British American Tobacco Australasia Limited and Philip Morris Asia Limited before both the High Court of Australia<sup>9</sup> and an ICSID arbitral panel constituted pursuant to a bilateral investment treaty (“BIT”) between Australia and Hong Kong.<sup>10</sup> A dispute is also currently pending at the World Trade Organization (“WTO”), which regards the compatibility of the Australian measure with several provisions of the TRIPS Agreement - and a decision is expected soon.<sup>11</sup>

Other measures related to the presentation of tobacco products are in force in Uruguay. Uruguayan legislation prohibits misleading or deceptive tobacco packaging - and thus aims at correctly informing consumers about health consequences.<sup>12</sup> The aim is to protect people’s health. Initially this provision was invoked to outlaw descriptors including “mild”, “light” and “ultra-light” (which are often incorporated in registered trademarks owned by tobacco companies). After Philip Morris began using different brands differentiated by colours and terms referring to such colours instead of the above descriptors (such as “Gold”, “Blue”, “Silver”), the Uruguayan Ministry of Public Health interpreted the ban on deceptive and misleading packaging as also outlawing the use of different colours on the packaging. Philip Morris challenged this provision under the BIT between Uruguay and Switzerland,<sup>13</sup> claiming that the effect of the way the Uruguayan provision on deceptive and misleading packaging has been interpreted and applied entailed that just one product from a brand family can be marketed in that country,<sup>14</sup> with the result that tobacco manufacturers would be unable to fully use their trademark portfolio.<sup>15</sup> Some commentators have labelled this measure as

<sup>5</sup> Tobacco Plain Packaging Act 2011 (Cth) ch 2.

<sup>6</sup> See the Irish Outline Heads of the Public Health (Standardised Packaging of Tobacco) Bill 2013 as well as the UK plain packaging Draft Regulations at [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/323922/Cons\\_doc.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/323922/Cons_doc.pdf) (last accessed on 18 September 2014).

<sup>7</sup> Peter Leung, “Why Asia is set for more tobacco plain packaging rules” (2013) *Managing Intellectual Property*, 227, p. 14.

<sup>8</sup> Directive 2014/40/EU of the European Union and of the Council of 3 April 2014 on the approximation of the laws, regulations and administrative provisions of the Member States concerning the manufacture, presentation and sale of tobacco and related products and repealing Directive 2001/37/EC. On the legislative process which led to the adoption of this directive see Matthew J. Elsmore and Viktoria Obolevich, “Thank you for not smoking: the Commission’s proposal for a new Tobacco Products Directive – legally sound, but does it hit the spot?” (2013) *European Law Review* 38(4), pp. 552-572.

<sup>9</sup> In August 2012 the Australian High Court confirmed that the measure did not amount to an expropriation of the tobacco companies’ (intellectual) property and is thus compliant with Australian Constitution (*JT International SA v Commonwealth* [2012] HCA 43). For a comment of the decision see Jonathan Liberman, “Plainly Constitutional: the Upholding of Plain Tobacco Packaging by the High Court of Australia” (2013) 39(2) *American Journal of Law and Medicine*, 361-381; Sam Ricketson, “Plain packaging legislation for tobacco products and trade marks in the High Court of Australia” (2013) *Queen Mary Journal of Intellectual Property*, Vol. 3 No 3, pp. 224-240.

<sup>10</sup> Agreement between the Government of Hong Kong and the Government of Australia for the Promotion and Protection of Investments, signed on 15 September 1993, 1748 UNTS 385 (entered into force 15 October 1993).

<sup>11</sup> Complaints against Australian legislation have been brought by Ukraine, Honduras, Indonesia, Dominican Republic and Cuba.

<sup>12</sup> Law No 18,256 (2008) (Uruguay) 29 February 2008.

<sup>13</sup> Agreement between the Swiss Confederation and the Oriental Republic of Uruguay Concerning the Reciprocal Promotion and Protection of Investments, signed 7 October 1988, 1976 UNTS 413 (entered into force 7 October 1988).

<sup>14</sup> Benn McGrady, “Implications of Ongoing Trade and Investment Disputes Concerning Tobacco: Philip Morris v Uruguay” in Andrew Mitchell, Tania Voon and Jonathan Liberman (eds), *Public Health and Plain Packaging of Cigarettes: Legal Issues* (Edward Elgar, 2012), pp. 173 and 178.

<sup>15</sup> McGrady, cited above fn. 14, pp. 173 and 178.

the “single presentation requirement”, as it bans the presentation of a single brand in multiple forms if such forms are capable of misleading consumers about the risk of smoking.<sup>16</sup> In the eyes of the challenger, Philip Morris, this measure is arbitrary and not reasonably justified by a public health objective and thus amounts to an unlawful expropriation of (intellectual) property. The dispute is still pending.<sup>17</sup>

Another category of packaging-related measures relates to health warnings, i.e. messages to be included on the packaging concerning the effects of consumption. They have been implemented in several jurisdictions with a view to enhancing consumers’ awareness of the harmful effects of smoking and thus discouraging consumption – and their effect is to limit the space available for brands on the packaging. For example, the recent EU Tobacco Directive requires cigarettes makers to show on packs health warnings covering a minimum of 65% of the front and back surfaces started from top edge.<sup>18</sup> In Uruguay all health warnings are required to cover 80% of the front and 80% of the back of all cigarette packages.<sup>19</sup>

### *Food*

Health warnings are also spreading to certain foodstuff, thus enlarging the range of trademark owners hit by this marketing restriction. For instance, Chile recently amended its Food Health Regulation that mandates to place “STOP” signs on high fat, sugar and salt (HFSS) foods, such signs occupying no less than 20% of the main surface of the package.<sup>20</sup> And in the US, the California Senate Appropriations Committee is deliberating a bill that would require drinks manufacturers to place the following health warning label on all sweetened non-alcoholic drinks: “Drinking beverages with added sugar(s) contributes to obesity, diabetes, and tooth decay”.<sup>21</sup> Also, Peru introduced similar legislation in 2013, namely the Act to Promote Healthy Eating amongst Children and Adolescents, that mandates warnings on packaging such as “high in calories”, or “high salt” on food products.<sup>22</sup>

Protection of children is also the target of a recent South African and EU measure aimed at promoting breastfeeding, i.e. the ban on the use of logos on infant formula packaging containing pictures of babies or (in the case of South Africa, also) other humanised figures.<sup>23</sup>

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<sup>16</sup> See also World Health Organization, “Confronting the Tobacco Epidemic in a New Era of Trade and Investment Liberalization” (2012), pp. 59–60.

<sup>17</sup> See also Benn McGrady, “Philip Morris v. Uruguay: The Punta del Este Declaration on the Implementation of the WHO Framework Convention on Tobacco Control” (2011) 2 European Journal of Risk Regulation, p. 254.

<sup>18</sup> See above fn. 8.

<sup>19</sup> See again Law No 18,256 (2008) (Uruguay) 29 February 2008.

<sup>20</sup> See the WTO press release following the latest meeting on 5-7 March 2013 of the Technical Barriers to Trade (TBT) Committee at [http://www.wto.org/english/news\\_e/news13\\_e/tbt\\_13mar13\\_e.htm](http://www.wto.org/english/news_e/news13_e/tbt_13mar13_e.htm), last accessed on 18 September 2014.

<sup>21</sup> See BMJ’s article of 27 May 2014, available at <http://www.bmj.com/content/348/bmj.g3428>, last accessed on 18 September 2014.

<sup>22</sup> Peru — Act 30.021 to Promote Healthy Eating Among Children and Adolescent, 13 May 2013.

<sup>23</sup> See Regulation 7 of R991, published regulations in terms of s. 15(1) of the Foodstuffs, Cosmetics and Disinfectants Act, 54 of 1972. South-African consumers therefore no longer see pictures on infant and follow-up formula for special dietary or medical purposes; liquid milks, powdered milks, modified powdered milks, or powdered drinks marketed or otherwise represented as suitable for infants or young children; feeding bottles, teats and feeding cups with spouts, straws or teats or complementary foods. See also Article 10(2) of EU Regulation No 609/2013.

This measure echoes an old Guatemalan case that also regarded marketing of infant formula milk. In 1983 Guatemala implemented the WHO’s *International Code of Marketing of Breast-milk Substitutes*, which prohibited the use of images of babies on foods destined for children under the age of two. The goal of this legislative move was to protect the lives of infants by promoting breast-feeding over breast milk substitutes and, particularly, to thwart aggressive marketing by baby food companies aimed at convincing mothers that their products were superior to breast milk. The law specifically banned images that idealised the products in question. Facing its implementation, the US children’s food company Gerber claimed that the law infringed its trademark, which included the image of a healthy baby. Gerber

## Alcohol

Alcoholic products have also been the target of recent regulatory measures. For example, Turkish legislation now requires placement of three graphic images depicting that alcohol should not be sold to minors, consumers should not drink and drive and alcohol should not be consumed by pregnant women. The statement on the packaging that “alcohol is not your friend” is also required.<sup>24</sup> Thailand also has a liquor labelling regime in place that mandates graphic warnings and accordingly shrinks the space available for brands on the packaging.<sup>25</sup>

A particular measure aimed at reducing the attractiveness of certain alcoholic products had been adopted in Iceland back in 1998. This measure was challenged in the *Hob-vín ehf* case before the European Free Trade Association Court (“EFTA Court”). It was found not to be compliant with the *Agreement on the European Economic Area*.<sup>26</sup> The most interesting part of this dispute regards the refusal by the State Alcohol and Tobacco Company of Iceland (“ATVR”) to authorise the marketing and sales of three cider cans, which had been legally manufactured and sold in Denmark. The reason for such refusal was that their packaging bore text and visual imagery in violation of a provision adopted by ATVR. The provision states that the text and images on alcoholic packaging and labelling should not suggest that the product enhances physical, mental, social or sexual functions; or offend people’s general sense of propriety, for example by referring to violence, religion, pornography, illegal drugs, political views, discrimination or criminal conduct. ATVR stressed that the packaging of the products in question (which were marketed in stylish cans, featuring artful drawings including colourful illustrations of women’s legs with some apparently naked skin) were “evidently intended to make the products sensually appealing and challenging”.<sup>27</sup>

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then began threatening Guatemala that the company would lobby the US State Department to encourage it to impose trade sanctions under the *General Agreement on Tariffs and Trade 1947* (GATT 1947) and other trade measures (in particular, the withdrawal of Most Favoured Nation trading status). This move prompted the Guatemalan Supreme Court to exclude products imported into Guatemala, including those marketed by Gerber, from the application of the legislation. On this case see Russell Mokhiber, “Gerber Uses Threats of GATT Sanctions to Gain Exemption from Guatemalan Infant Health Law” (1996) 10(14) Corporate Crime Reporter, p. 6; Robert Mayer, “Protectionism, Intellectual Property and Consumer Protection: Was the Uruguay Round Good for Consumers?” (1998) Journal of Consumer Policy 195, 209.

<sup>24</sup> For more information see the blog of the O’Neill Institute for National and Global Health Law at [http://www.oneillinstitutetradeblog.org/wp-content/uploads/2013/11/13\\_3072\\_00\\_e.pdf](http://www.oneillinstitutetradeblog.org/wp-content/uploads/2013/11/13_3072_00_e.pdf), last accessed on 18 September 2014.

<sup>25</sup> In particular, Thai legislation requires labels to carry any of the following messages: (i) drinking alcohol causes hypertension liver cirrhosis; (ii) alcohol intoxication leads to accidents; (iii) drinking alcohol leads to unconsciousness and even death; (iv) drinking alcohol leads to inferior sexual performance; (v) drinking alcohol leads to adverse health effect and family problems; (vi) drinking alcohol is a bad influence on children and young people. It will also require the graphic health warning to be no less than 30% to 50% of the size of the alcohol container. The warning labels shall rotate every 1,000 packages. See the webpages of the Thai Alcohol and Tobacco Tax and Trade Bureau at <http://www.ttb.gov/itd/thailand.shtml>, last accessed on 18 September 2014.

<sup>26</sup> *HOB-vín ehf v The State Alcohol and Tobacco Company of Iceland (ÁTVR)* (EFTA Court, E-2/12, 11 December 2012). For a timely comment on this case see Alberto Alemanno, “The HOB-vín Judgment: A Failed Attempt to Standardise the Visual Imagery, Packaging and Appeal of Alcohol Products” (2013) 1 European Journal of Risk Regulation, p. 101. The European Economic Area Agreement was signed on 2 May 1993, 1801 UNTS 3 (entered into force 1 January 1994) (“EEA Agreement”) and extends portions of European Union law to European Economic Area countries including Iceland.

<sup>27</sup> The importer of the cans challenged this decision. The case was then referred to the EFTA Court, which was asked to give an advisory opinion about the compatibility of the Icelandic provision with the EEA Agreement (in general, this court has the task of interpreting the EEA Agreement with regard to the EFTA countries that are party to it, namely Iceland, Liechtenstein and Norway. EFTA is a free trade organisation grouping Iceland, Liechtenstein, Norway and Switzerland). The EFTA Court noted that the refusal by ATVR had been based exclusively on a specific part of the rule in question, namely the part of the provision that prohibits the use of texts or visual imagery that offends people’s



Even though the Icelandic provision was eventually condemned for being contrary to the EEA Agreement, this case shows that policymakers have started targeting the packaging and brands of alcoholic products.

### Trademarks as negative rights

All the above measures have been adopted with a view to both informing consumers about the health risks associated with the consumption of harmful products and discouraging consumption itself. Yet, they also prevent trademark owners from fully using their brands on packaging: e.g. plain packaging of tobacco products restricts the use of word signs and prohibits the use of figurative trademarks while health warnings, as we have seen, reduce the space available for brands on the packaging. Also, the single presentation requirement adopted by Uruguay limits the ability of tobacco manufacturers to use their family of brands. The same holds true of the South African and EU measures which ban the use of baby-related logos on infant formula packaging.

The relevant issue is thus whether the measures in question infringe trademarks owned by tobacco, alcohol and food manufacturers. I here argue that they do not as such measures do not affect any right offered by trademark registrations. Indeed, what trademark registrations do offer is not the *positive* right to use a sign, but just a *ius excludendi alios*, namely the *negative* right to prevent others from exploiting the brand,<sup>28</sup> which is not jeopardised by the measures in question. A sign can indeed be used by economic operators regardless of, and prior to, the registration by the trademark office, i.e. as soon as they start a business by offering the relevant products or services in the market.<sup>29</sup> In other words, as will also be shown later,<sup>30</sup> traders and companies have just a privilege (not a right) to use a brand, and registration by a trademark office restricts the privilege to use the sign.

The fact that trademark registrations provide just negative right is confirmed by Article 16 TRIPS: “The owner of a registered trademark shall have the exclusive right to prevent all third parties not

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general sense of propriety. Accordingly, it was found that the measure in question could not be justified under the EEA Agreement by a stringent public interest objective such as the protection of public health (the ATVR had claimed in the proceedings that the ban in question could be justified by invoking the protection of consumers’ health).

<sup>28</sup> It is opportune to stress this point as it seems that courts are still wrapped in confusion. A recent decision of the Court of Justice of the European Union (CJEU) confirms such confusion. In *Martin Y Paz Diffusion SA v David Depuydt* the CJEU was asked whether a trademark owner could be permanently prevented from exercising its exclusive rights and from using its trademark for certain goods because a third party has used the mark for these goods with the consent of the owner over an extended period of time (*Martin Y Paz Diffusion SA v David Depuydt* and another, Case C-661/11, decision of 19 September 2013). It held that under these circumstances the right owner cannot be deprived of any possibility of asserting the exclusive right conferred upon it by those trademarks against that third party and of itself exercising that exclusive right in respect of goods which are identical to those of that third party. It thus seemed to suggest that trademark registrations confer positive rights to use the sign. Yet, in his preliminary opinion Advocate General Cruz Villalón expressly held the opposite opinion, namely that trademark rights are negative (AG’s opinion of 18 April 2013, paragraph 90).

<sup>29</sup> See also Julius R. Lunsford, “The Right to Use and The Right to Register – The Trade-Mark Anomaly” (1953) *Trademark Reporter* 43, pp. 1-28, at p. 6. Not all scholars accept the “negative right” argument, as will be highlighted *infra*. See Daniel Gervais, “Analysis of the Compatibility of certain Tobacco Product Packaging Rules with the TRIPS Agreement and the Paris Convention”, Report of 30 November 2010 (available at [www.smoke-free.ca/trade-and-tobacco/Resources/Gervais.pdf](http://www.smoke-free.ca/trade-and-tobacco/Resources/Gervais.pdf), last accessed on 18 September 2014); Daniel Gervais – Susy Frankel, “Plain Packaging and the Interpretation of the TRIPS Agreement” (2013) *Vanderbilt Journal of Transnational Law*, Vol. 46(5), pp. 1149-1214; Annette Kur, “The right to use one’s own trade mark: a self-evident issue or a new concept in German, European and international trade mark law?” (1996) *European Intellectual Property review*, pp. 198-203, pp. 198-199 (highlighting however German case law that suggest that owners of registered trademarks do not have a valid right to use); Ulf Bernitz, “Logo licensing of Tobacco Products” (1990) *European Intellectual Property Review*, 12/4, pp. 137-139, at p. 139.

<sup>30</sup> See *infra* the paragraph “The privilege to use a sign”.

having the owner's consent from using in the course of trade identical or similar signs".<sup>31</sup> And the fact that the registration does not offer its owner a positive right to use the trademark allows governments to introduce measures that prohibit or restrict such use on public interest grounds. As also has been confirmed by the WTO Panel in *EC – Trademarks and Geographical Indications*, the TRIPS agreement "does not generally provide for the grant of positive rights to exploit or use certain subject matter, but rather provides for the grant of negative rights to prevent certain acts. This fundamental feature of intellectual property protection grants Members freedom to pursue legitimate public policy objectives since many measures to attain those public policy objectives lie outside the scope of intellectual property rights and do not require an exception under the TRIPS Agreement".<sup>32</sup>

The above reading had also been confirmed by Advocate General Geelhoed in his Opinion on the validity of the 2001 EU Tobacco Products Directive: "the essential substance of a trademark right does not consist in an entitlement as against the authorities to use a trademark unimpeded by provisions of public law. On the contrary, a trademark right is essentially a right enforceable against other individuals if they infringe the use made by the holder" (emphasis added).<sup>33</sup>

### Arguments and counterarguments

In the following paragraphs I will present and criticise arguments pushed by some scholars in support of the opposite opinion, namely that trademark registrations would also confer a positive right to use the sign. In doing so I will often refer to specific provisions of the Paris Convention and the TRIPS Agreement.

#### *The alleged "spirit" of TRIPS and Paris*

Some commentators argue that while the TRIPS Agreement and the Paris Convention (whose main provisions are incorporated in the former)<sup>34</sup> do not expressly refer to a positive right to use a trademark, nonetheless the spirit of these two treaties is to allow the use of signs.<sup>35</sup> It has also been argued that rights to property are often defined in a negative (i.e. as rights to exclude others) and not in a positive way just in order to facilitate governments' actions for limiting such rights: "if property owner's rights are not defined as rights to exclude from the property, laws affecting the property might be harder to make without expressly calling them exceptions to owner's rights".<sup>36</sup>

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<sup>31</sup> See also Article 5(3) Trademark Directive; Article 9(1) Trademark Regulation; Recital 14 Directive 98/44/EC of the European Parliament and of the Council of 6 July 1998 on the Legal Protection of Biotechnological Inventions [1998] OJ L 213/13. The view that trademark rights are just negative is shared by most commentators. See for example Justin Malbon, Charles Lawson, Mark Davison "The WTO Agreement on Trade-Related Aspects Of Intellectual Property Rights – A Commentary" (2014), Elgar, paragraph 16(03); Carlos Correa, "Trade Related Aspects of Intellectual Property Rights. A Commentary on the TRIPS Agreement" (2007), OUP, p. 186 (noting that Article 16(1) "alludes to the right to exclude the use under certain conditions. It is clearly provided for as a negative right, and not as the right to use the trademark").

<sup>32</sup> *European Communities — Protection of Trademarks and Geographical Indications for Agricultural Products and Foodstuffs* (Complaint by Australia), WT/DS290/R, paragraph 7.246.

<sup>33</sup> See Opinion of A.G. Geelhoed in *British American Tobacco* [2002] E.C.R. I-11453; [2003] 1 C.M.L.R. 14, at 266.

<sup>34</sup> Article 2.1 TRIPS.

<sup>35</sup> See for example Gervais, cited above fn. 29, paragraph 59.

<sup>36</sup> Daniel Gervais – Susy Frankel, cited above fn. 29, at p. 1192 (citing Henry E. Smith, "Exclusion versus Governance: Two Strategies for Delineating Property Rights", 31 *Journal of Legal Studies* 453 (2002)).



The argument in question, based on alleged purposive interpretation<sup>37</sup> of international trademark law provisions, seems flawed. First, as far as TRIPS is concerned, it is difficult to imply a positive right to use a trademark in the body of an international treaty that is all about “rights”, i.e. the Trade-Related Aspects of Intellectual Property *Rights* (emphasis added).<sup>38</sup> States indeed do not cherish the idea that they have accepted to offer rights which are not explicitly referred to in the body of a treaty they have negotiated.<sup>39</sup> Also, if a positive right to use signs is (impliedly) conferred by the TRIPS Agreement, it is far from clear what the scope of this right is.<sup>40</sup> Would it, for example, include the right to use brands for advertising harmful products such as tobacco, with the result that many legislations around the world that ban tobacco advertising be made unlawful? No doubt such an interpretation would jeopardise legal certainty.

If TRIPS negotiators really meant to include a positive right to use a sign, they would have expressly mentioned and defined it in a specific provision, if not even in the heading of an article.<sup>41</sup> The WTO Panel in *EC – Trademarks and Geographical Indications* confirmed this view: “if the drafters had intended to grant a positive right, they would have used positive language. [...] The right to use a trademark is a right that Members may provide under national law”.<sup>42</sup> States thus retain the option to introduce such a right if they wish, as Australia seemed to have done in 1995 when passing its Trade Marks Act (Section 20(1)).<sup>43</sup> Yet the fact that a country passes trademark statutes that envisage a positive right to use signs does not prevent it from prohibiting or restricting the use of the marks when adopting legislative measures in the public interest. In most legal systems such measures indeed constitute *lex specialis* (because they are adopted just in specific sectors), such *lex* being capable of superseding general laws like IP legislations (*lex specialis derogat legi generali*, namely a special law repeals a general law). Australian plain packaging legislation, which was introduced in 2011 and limits the ability of tobacco manufacturers to use signs, should therefore be considered *lex specialis* and thus a legitimate derogation of the 1995 Australian Trade Marks Act (*lex generalis*)<sup>44</sup> (still assuming that the former confers a positive right). Similarly, if a country introduces advertising restrictions in a specific field (e.g. alcohol), which have the effect of preventing the promotional use of alcohol-related brands in certain advertising-related scenarios, such measures would constitute a lawful derogation of trademark statutes which provide a positive right to use signs.

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<sup>37</sup> The expression “purposive interpretation” is used by Daniel Gervais in his article “Plain Packaging and the TRIPS Agreement: A Response to Professors Davison, Mitchell and Voon” (2013) *Australian Intellectual Property Journal*, 23, pp. 96-110, at p. 100.

<sup>38</sup> The Paris Convention does not provide an implied right to use trademarks either. See *infra* the sub-paragraph *Registration v. use*.

<sup>39</sup> Mark Davison and Patrick Emerton, “Rights, Privileges, Legitimate Interests, and Justifiability: Article 20 of TRIPS and Plain Packaging of Tobacco” (2014) *American University International Law Review*, pp. 505-580, at p. 547.

<sup>40</sup> Mark Davison, “The legitimacy of plain packaging under international intellectual property law: why there is no right to use a trademark under either the Paris Convention or the TRIPS Agreement”, in Voon, Mitchell, Liberman (eds.), cited above fn. 14, pp. 88-89.

<sup>41</sup> Mark Davison, “Plain Packaging of Tobacco and the “Right” to use a Trade Mark” (2012) *European Intellectual Property Review*, Issue 8, pp. 498-501, at p. 499.

<sup>42</sup> *European Communities — Protection of Trademarks and Geographical Indications for Agricultural Products and Foodstuffs* (Complaint by Australia), WT/DS290/R, paragraphs 7.610-7.611. The Panel affirmed the above when rejecting the argument of the European Communities that the reference in Article 24(5) TRIPS Agreement to “the right to use a trademark” entails that TRIPS itself confers such a right. Also, a footnote to the Panel’s finding confirms that Article 16 TRIPS only provides a negative right. See *European Communities — Protection of Trademarks and Geographical Indications for Agricultural Products and Foodstuffs* (Complaint by Australia), WT/DS290/R, paragraph 7.611, fn. 564.

<sup>43</sup> I used the verb “seem” as the said provision has in fact been interpreted by the Australian High Court as just conferring a negative right, as will be shown in the next subparagraph.

<sup>44</sup> Davison, cited above fn. 40, p. 89; Althaf Marsoof, “The TRIPs Compatibility of Australia’s Tobacco Plain Packaging Legislation” (2013) *The Journal of World Intellectual Property*, Vol. 16, no. 5-6, pp. 197-217, at p. 205.

The argument that there would be no point in just exercising the right to exclude others from exploiting the registered sign if the owner cannot use it itself<sup>45</sup> is also flawed. The negative right would still be useful as it would allow owners, especially well known trademark owners, to maintain the value of the sign for the purpose of licence in other fields (where lawful) and in particular, to prohibit infringing activities which could turn out to dilute the distinctiveness and image of the trademark in case the prohibition or restriction are subsequently repealed.<sup>46</sup>

### *Interpretation of domestic trademark laws*

The TRIPS Agreement therefore does not mandate states to provide a positive right to use the registered trademark. It however leaves countries free to offer trademark owners such a right, if they so wish.

Yet even national legislations which seem to confer a positive right to use the sign have been interpreted in a “negative” way. The Australian Trade Marks Act of 1995 is a case in point. Section 20(1) of the Act provides that trademark owners have “the exclusive rights: (a) to use the trade mark; and (b) authorise other persons to use the trade mark [...]”. Yet, in the domestic dispute concerning the constitutionality of the plain packaging legislation the Australian High Court, while stressing that trademark and in general IP rights are property rights<sup>47</sup> that can be assigned,<sup>48</sup> found that what trademark registrations offer are just negative rights. In particular, Justice Crennan held that “the exclusive right to use the mark is a negative right to exclude others from using it”.<sup>49</sup> And Justice Kiefel stressed that “the right subsisting in the owner of a trade mark is a negative and not a positive right. It is to be understood as a right to exclude others from using the mark [...]”.<sup>50</sup> Finally, Justice Gummow noted that “trade mark registration systems ordinarily do not confer a liberty to use the trade mark, free from what may be restraints found in other statutes or in the general law. [...] All these items of ‘property’ are [...] ‘artificial products of society’, not ‘physical objects’ the boundaries of each class of which are fixed by external nature; more precisely [...] these are not affirmative rights like the property in goods and [...] not rights ‘in gross, or in the abstract’ [...]”.<sup>51</sup>

### *Registration versus use*

The argument that trademark registrations would confer rights to use is often coupled with the point that if registrations are granted is because trademarks must be used in commerce,<sup>52</sup> not because

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<sup>45</sup> Lord Hoffmann, Opinion to Philip Morris International, 24 May 2012, p. the opinion given by Lord Hoffmann to Philip Morris, paragraph 6 (available at [http://www.pmi.com/eng/tobacco\\_regulation/submissions/documents/submission%20and%20all%20annexes%20%28combined%29.pdf](http://www.pmi.com/eng/tobacco_regulation/submissions/documents/submission%20and%20all%20annexes%20%28combined%29.pdf), last accessed on 18 September 2014); see also Justice Heydon’s dissenting opinion in the decision regarding the Australian tobacco plain packaging legislation, *JT/BAT v Cth* [2012] HCA 43 at 208, 216, 223 (noting that “a right to exclude others from use is not of value unless the owner of the right can engage in use. [...] So far as the proprietors retain their rights as owners of intellectual property to exclude others from its use, those rights are hollow [...]. All the proprietors’ intellectual property had been rendered completely worthless, and the right to use the space on the packet had disappeared”).

<sup>46</sup> Benn McGrady, “TRIPs and trademarks: the case of tobacco” (2004) *World Trade Review*, pp. 53-79, at pp. 64-65.

<sup>47</sup> *JT/BAT v Cth* [2012] HCA43 at 30, 35 (Justice French); 107-137 (Justice Gummow); 202-206 (Justice Heydon, dissenting).

<sup>48</sup> *JT/BAT v Cth* [2012] HCA 43 at 31 (French C.J.); 81 (Gummow J.); 206 (Heydon J., dissenting); 274-275 (Justice Crennan).

<sup>49</sup> *JT/BAT v Cth* [2012] HCA 43, p. 72.

<sup>50</sup> *JT/BAT v Cth* [2012] HCA 43 at p. 98. In its decision the Australian High Court (Justice French) also referred to previous national cases that confirm that trademark registrations offer negative rights (e.g. *Campomar Sociedad Limitada v Nike International Limited* [2000] HCA 12, p. 16 of the decision).

<sup>51</sup> *JT/BAT v Cth* [2012] HCA 43 at 107.

<sup>52</sup> Gervais, cited above fn. 29, paragraph 67.

their owners want to get just a certificate from the state.<sup>53</sup> Registration without use would therefore be a “hollow formal right which is economically meaningless”.<sup>54</sup> This interpretation would be reinforced – the argument goes – by the fact the provisions of the TRIPS Agreement and the Paris Convention which deal with registration issues also refer to use. For example, paragraph 3 of Article 15 states that “Members may make registrability depend on use [...]” whereas paragraph 4 provides that “the nature of the goods or services to which a trademark is to be applied shall in no case form an obstacle to registration of the trademark”.<sup>55</sup> A contextual reading of these provisions would therefore suggest that the *use* of a trademark is inextricably linked to its *registration* and thus what trademark registrations confer on their owners are also positive rights to use the sign.

The above arguments seem to go too far and in particular to confuse two concepts - registration and use of trademarks – that are different and autonomous instead.<sup>56</sup>

First, the use of trademarks is covered by another provision, namely Article 20 TRIPS Agreement, which will be analysed *infra*. Also, the reference to Article 15(3) TRIPS does not lend weight to the “positive right” argument. By providing that states *may* make registrability of trademarks depend on use, this article is also saying that countries do not have any obligation to make registration dependent on use, which confirms again that registration and use are different concepts.<sup>57</sup>

Secondly, trademark registrations may have relevant economic value even when the signs in question are not yet used. Trademark registrations, for instance, may be assigned even where the relevant signs have not yet been used. Cases where trademark registrations are purchased by companies that later decide not to use the signs in question are not uncommon. This proves that *registration* may be economically valuable, at least for a certain period of time, regardless of any *use* of the underlying sign. Also cases where trademark owners keep registration alive despite not being able to use the sign are not rare. For example, despite being legally bound not to use descriptors such as “mild” and “light”, some tobacco companies have nonetheless renewed trademarks containing such descriptors.<sup>58</sup>

Moreover, the real purpose of Article 15(4) TRIPS is to ensure that registration can occur even though the use of a trademark is not possible in connection with a particular product, for instance because the goods on which it should be affixed cannot be sold on security or safety grounds (e.g. a pharmaceutical product which can be marketed only after obtaining the relevant marketing authorisation).<sup>59</sup> It is therefore implicit in such provision that, despite the registration, the use of trademarks may be restricted or even prohibited by governments under certain circumstances.<sup>60</sup>

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<sup>53</sup> See also Christopher Morcom, “Trademarks, tobacco and human rights” (2008) *Trademark World*, pp. 18-21 (noting that “there is not much point in having registered trademarks if one is forbidden to use them in trade”).

<sup>54</sup> See the opinion delivered by the law firm *Lalive* to Philip Morris International Management SA on 23 July 2009 “Why Plain Packaging is in Violation of WTO Members’ International Obligations under TRIPS and the Paris Convention, at pp. 6-8 (available at [http://www.smoke-free.ca/plain-packaging/documents/industry-responses/LALIVE\\_Analysis\\_23\\_July\\_2009.pdf](http://www.smoke-free.ca/plain-packaging/documents/industry-responses/LALIVE_Analysis_23_July_2009.pdf), last accessed on 18 September 2014).

<sup>55</sup> See also Gervais, cited above fn. 29, paragraphs 21-31 (noting in particular that “it makes little sense to allow registration of marks and ban their use in commerce”).

<sup>56</sup> Andrew Mitchell, “Australia’s Move to the Plain Packaging of Cigarettes and its WTO Compatibility” (2010) *Asian Journal of WTO and International Health Law and Policy* 5(2), pp. 399-419, at p. 409.

<sup>57</sup> Davison and Emerton, cited fn. 39, p. 550.

<sup>58</sup> See the Australian registered trademarks no. 598946 “PJ Peter Jackson Extra Mild”, renewed in 2010 and no. 466640 “Rothmans Special Mild R”, renewed in 2008, owned by British American Tobacco Australia Ltd and Philip Morris Australia Ltd.

<sup>59</sup> Georg Hendrik Christiaan Bodenhausen, *Guide to the Application of the Paris Convention for the Protection of Industrial Property, as Revised at Stockholm in 1967* (1968), p. 128 (noting that Article 7 Paris Convention, whose content is reproduced in Article 15.4 TRIPS, has a narrow scope of application and its purpose is to make the protection

This interpretation has also been endorsed by a former Director-General of the World Intellectual Property Organization (WIPO), which administers the Paris Convention: “[...] Article 7 [Paris Convention, which is reproduced in Article 15(4) TRIPS and is also incorporated into the latter]<sup>61</sup> does not address the question of permission to use a registered mark. Therefore, countries party to the Paris Convention remain free to regulate the sale of certain types of goods - and the fact that a mark has been registered for such goods does not give the right to the holder of the registration to be exempted from any limitation of using the mark which may be decided by the competent authority of the country where the mark is registered”.<sup>62</sup>

The Paris Convention, therefore, like the TRIPS Agreement, does not mandate a positive right to use a trademark. This conclusion is further reinforced by the following fact. An amendment to Article 7 of the Paris Convention was presented by the Association Internationale de la Propriété Intellectuelle (AIPPI) to the 1956 Lisbon Conference for the revision of this international treaty. It would have added to the said provision the following words: “The exclusive right of the owner or right holder to use a mark thus registered or renewed cannot be prohibited or limited when the sale to which it applies is legal”. Yet, the proposed amendment was not accepted. Such refusal does confirm that the Paris Convention has not incorporated any positive right to use a trademark.<sup>63</sup>

Some commentators believe moreover that countries’ freedom to restrict or prohibit the use of trademarks would be significantly limited by another provision of the Paris Convention, i.e. Article 6-*quinquies*(B),<sup>64</sup> which is also incorporated by reference into TRIPS.<sup>65</sup> This provision states that trademarks can be denied registration or the latter can be invalidated when they are contrary to morality or public order; when they are of such a nature as to deceive the public; when they are of such a nature as to infringe rights acquired by third parties in the country where protection is claimed; and when they are devoid of any distinctive character. Such provision, the arguments goes, - should be interpreted as meaning that not only registration but also the use of trademarks can be prevented exclusively on the above grounds. Countries would therefore be able to prohibit (not only the registration but also) the use of trademarks exclusively on the grounds mentioned in Article 6-*quinquies* (B).

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of industrial property independent of the question whether the relevant products may or may not be commercialized in the state in question).

<sup>60</sup> McGrady, cited above fn. 46, pp. 65-66; Correa, cited above note 31, p. 182.

<sup>61</sup> Article 2(1) TRIPS.

<sup>62</sup> The former WIPO Director-General, Mr A. Bogsch, expressed this view in a letter addressed to the Director-General of the World Health Organization on 22 February 1995. See Collishaw Ne, “Tobacco Control and the Paris Convention for the Protection of Industrial Property”, (1996) 5 Tobacco control, p. 165. A similar view was expressed by Mr Ludwig Baeumer (former Director of the Industrial Property Law Department of WIPO) in a letter addressed to a law firm: “[...] The countries of the Paris Union are bound to admit trademarks for registration, notwithstanding the nature of the goods to which they are applied (Article 7). However, the Paris Convention does not contain any obligation to the effect that the use of a registered trademark must be permitted”. See Mark Davison, “Plain Packaging and the TRIPS Agreement: A Response to Professor Gervais” (2013) 23 Australian Intellectual Property Journal, pp. 160-173, at p. 164.

<sup>63</sup> Bodenhausen, quoted by McGrady, cited above fn. 46, p. 65. See also Karnell, “Some comments on the Article ‘Logo Licensing of Tobacco Products – Can it be Prohibited?’ by Professor Ulf Bernitz in [1990] 4 EIPR pp. 137-139” (1990) European Intellectual Property Review, p. 138 (noting that “it is quite obvious from its historical background that it [Article 7 Paris Convention] must not be given a broader interpretation, for example, so as to exclude a prohibition on the use of a trade mark for a particular kind of product”).

<sup>64</sup> Lalive, cited above fn. 54, pp. 6-8.

<sup>65</sup> Article 2(1) TRIPS.

Accepting this interpretation of the provision in question would prevent countries from adopting the packaging-related measures mentioned in the previous paragraphs as such measures do not fall within the grounds referred to in the article. Yet, this interpretation, again based on the (erroneous) assumption that the *use* of a trademark would be inextricably linked to its *registration*, cannot be accepted.

Admittedly, it is undisputed that the grounds indicated in Article 6-*quinquies*(B) Paris Convention are not motivated by their registration being problematic, but rather by the fact that the use of the trademark would be.<sup>66</sup> For example, registration of a sign which violates prior exclusive rights of a third party would be denied not because the registration itself is inherently wrong, but because of the damages to such third party and consumers' confusion, which the use of the later sign provokes.<sup>67</sup> Also, when a trademark office rejects an application, or when a court invalidates a registration, on deceptiveness grounds, the said office or court do so because they have assessed that the use of the trademark might mislead consumers as to certain characteristics of the goods on which the sign in question must be affixed.

Such examples, however, do not support the interpretation in question. Indeed, in the circumstances mentioned above the reference to the *use* of trademark is simply instrumental, i.e. it is necessary to decide whether the *registration* should be granted or invalidated (it would be impossible to carry out such assessment without taking into consideration the use of the sign). In other words, the reference to the use of the signs on the market is merely ancillary as it allows trademark offices and judges to verify whether the trademark is registrable. The fact remains that *registrability* of trademarks, to be assessed in administrative or judicial proceedings also taking into account any possible use of the signs, should not be confused with their *use*.<sup>68</sup>

We should therefore conclude that Article 6-*quinquies*(B) Paris Convention cannot be interpreted as extending its scope of application to trademark use, but it just covers registration related issues. It follows that all the measures mentioned in the previous paragraphs – which imply the prohibition or restriction on use of signs aimed at discouraging consumers from consuming tobacco, alcohol and unhealthy food – cannot be challenged under this provision.

In any case, even interpreting Article 6-*quinquies* (B) Paris Convention in the opposite way and thus accepting that this provision also applies to uses of trademarks, such an interpretation would not significantly limit states's freedom to prohibit uses of signs. This article should indeed be read in conjunction with Article 6(1) of the same treaty, which states that “the conditions for the filing and registration of trademarks shall be determined in each country of the Union by its domestic legislation”. In *US - Section 211 Appropriation Acts* the WTO Appellate Body gave a broad interpretation of this provision and reserved to countries wide legislative discretion when it comes to determining the conditions for accepting or refusing registrations, thus confirming that the Paris

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<sup>66</sup> Lalive, cited above fn. 54, p. 7.

<sup>67</sup> Lalive, cited above fn. 54, pp. 6-8.

<sup>68</sup> Moreover, registration of trademarks which infringe prior rights, the first ground mentioned in Article 6-*quinquies* (B) Paris Convention, can be refused or invalidated not only because of the damages to the owners of such prior rights and/or the consumers' confusion caused by the use of the later sign. Indeed most owners of trademarks, especially well known trademarks, are also keen in opposing the mere registration of subsequent similar signs, even where they are not used, as they want to maintain trademark registers as “clean” as possible, i.e. they want to avoid that registers are “invaded” by similar signs.

Convention is quite liberal in terms of grounds upon which registration can be rejected.<sup>69</sup> Thus, as has been noted, the reference to a right to use that stems from registration loses much of its strength since, if there is great scope for countries to reject registration, accordingly there would also be wide scope to prohibit the use of signs.<sup>70</sup>

### *The “revocation” argument*

Some scholars have also stressed that, unlike other IP rights such as copyright (where the owner is not required to use the work in order to maintain protection), trademarks should be used to avoid revocation. In addition - they stress - in many jurisdictions applicants must show use or intention to use the sign in order to obtain the registration.<sup>71</sup> This point would be in support of the view that trademark registrations also offer a positive right to use the sign.

Such argument is also flawed. A look at Article 19 TRIPS is clarifying: “[...] the registration may be cancelled only after an uninterrupted period of at least three years of non-use, *unless valid reasons based on the existence of obstacles to such use are shown by the trademark owner [...]*” (emphasis added). Similar provisions are contained in the EU Trademark Directive and Regulation, which rule out revocation if “there are proper reasons for non-use”.<sup>72</sup> Also, the first part of Article 19 TRIPS states: “If use is required to maintain a registration [...]”. This wording means there may also be cases where use is not required to keep the registration alive.<sup>73</sup> This is particularly true of the tobacco plain packaging legislation adopted by Australia which prohibits manufacturers to use non-word trademarks and limits the use of word signs. Such legislation prevents the refusal of a registration, or its revocation, merely because the owner is banned from using the sign on the products and their packaging.<sup>74</sup>

### *Legitimate interests of trademark owners and promotion of harmful products*

Some commentators point to a specific finding of the WTO Panel in *EC-Trademarks and Geographical Indications*.<sup>75</sup> They rely on such a finding to reiterate that the TRIPS Agreement provides owners of a registered trademark with legitimate interests which include the right to use the sign.<sup>76</sup> The Panel, in particular, held that “every trademark owner has a legitimate interest in preserving the distinctiveness, or capacity to distinguish, of its trademark so that it can perform that function. This includes its interest in using its own trademark in connection with the relevant goods and services of its own and authorized undertakings. [...]”.<sup>77</sup>

I believe such statement does not lend weight to the “positive right” argument. First, the Panel referred to the concept of “legitimate interests” when interpreting Article 17 TRIPS, which does not

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<sup>69</sup> *United States – Sections 211 Omnibus Appropriations Act of 1998*, WT/DS176/AB/R, report of the Appellate Body of 2 January 2002, paragraph 139.

<sup>70</sup> Davison, cited above fn. 40, pp. 87-88.

<sup>71</sup> Simon Evans and Jason Bosland, “Plain packaging of cigarettes and constitutional property rights”, in Voon, Mitchell, Liberman (eds.), cited above fn. 14, p. 54; see also Stephen Stern and Olivia Draudins, “Generic Packaging – A bridge (over the bodies of IP rights) too far?” (2011) *Australian Intellectual Property Law Bulletin*, Vol. 23 No 7; Owen H. Dean, “Deprivation of trade marks through state interference in their usage” (2013) *European Intellectual Property Review*, pp. 576-589, at p. 585.

<sup>72</sup> Article 15(1) Trademark Regulation and Article 12(1) Trademark Directive.

<sup>73</sup> Davison and Emerton, cited above fn. 39, p. 558.

<sup>74</sup> Section 28 of the Australian Tobacco Plain Packaging Act 2011.

<sup>75</sup> *European Communities – Protection of Trademarks and Geographical Indications for Agricultural Products and Foodstuffs* (Complaint by United States), WT/DS174/R, report of 15 March 2005.

<sup>76</sup> See for example Gervais and Frankel, cited above fn. 29, pp. 1198-1201.

<sup>77</sup> *European Communities – Protection of Trademarks and Geographical Indications for Agricultural Products and Foodstuffs* (Complaint by United States), WT/DS174/R, report of 15 March 2005, paragraph 7.664.



set rights for trademark owners but just deals with exceptions to such rights. It is therefore hard to claim that the finding in question has created a positive legal right to use a sign. Also, in the very same decision the Panel noted that the “legitimate interests” of trademark owners must be “something different” from full enjoyment of “legal rights”.<sup>78</sup> This finding is further reinforced by the WTO Panel decision in *Canada – Pharmaceutical Patents*, a dispute related to the interpretation of Article 30 TRIPS, which sets forth the permitted exceptions to patent rights.<sup>79</sup> The issue was whether the *de facto* extension of patent protection, which stemmed from potential competitors being unable to launch their products (generics) on the market the very same day the patent expires, was a “legitimate interest” of the patent owner. The Panel held it was not - and stressed that “legitimate interests” cannot be equated with “legal rights”.<sup>80</sup>

In any event, it should be noted that there are different kinds of interests in use of trademarks. As has been argued, use is not an end in itself in a trademark context.<sup>81</sup> The interest in use of signs to minimise or prevent the likelihood of confusion between different brands is certainly legitimate, as it makes sure that consumers make educated purchase choices.<sup>82</sup> Yet, there are also interests in use which a government may lawfully consider as not legitimate. For instance, while manufacturers of (legal, but) unhealthy products have still a legitimate interest in using trademarks for differentiating their goods from the ones sold by competitors, they nevertheless may not have legitimate interests in using their brand, e.g. in commercial ad messages and on the packaging, for promoting such products and deceiving consumers as to the effects on their health.

Again the report of the WTO Panel in *Canada - Pharmaceutical Patents* reinforces this view. The Panel noted that “to make sense of the term ‘legitimate interests’ [...], that term must be defined in the way that it is often used in legal discourse - as a normative claim calling for protection of interests that are ‘justifiable’ in the sense that they are supported by relevant public policies or other social norms. This is the sense of the word that often appears in statements such as ‘X has no legitimate interest in being able to do Y’”.<sup>83</sup> It was eventually held that patents owners do not have any legitimate interests in the above mentioned *de facto* extension of patent protection, as such extension would unreasonably delay the entry into the market of generic drugs, which in turn would prevent consumers from buying cheaper medicines straight after the expiry of the relevant pharmaceutical patent.<sup>84</sup> In other words, patentees’ interests in a *de facto* extension of protection is not legitimate as it is not supported by a relevant public policy.

By the same token, trademark owners cannot claim a legitimate interest in the use of signs to promote harmful products and to deceive consumers as to the health risks associated with their consumption. Such an interest is not supported by a relevant public policy. On the contrary, a public policy is sound if it imposes for example (i) legislative bans on the promotion of harmful products, whatever shape that promotion takes, e.g. advertising in TV, radio, sport events or by using particularly eye-catching brands on the packaging; (ii) obligations to affix on the packaging large warnings about negative health consequences; (iii) bans on the use of sexy descriptors and colours on the packaging, which are capable of deceiving consumers about the real effects of the products

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<sup>78</sup> *European Communities — Protection of Trademarks and Geographical Indications for Agricultural Products and Foodstuffs* (Complaint by United States), WT/DS174/R, report of 15 March 2005, paragraph 7.662.

<sup>79</sup> *Canada – Patent Protection of Pharmaceutical Products*, WT/DS114/R, report of 17 March 2000.

<sup>80</sup> *Canada – Patent Protection of Pharmaceutical Products*, WT/DS114/R, report of 17 March 2000, paragraph 7.68 (stressing that the third step of Article 30 TRIPS requires consideration of the legitimate interests of both the patentee and third parties; thus, to equate “legitimate interests” with “legal rights” would make the reference to legitimate interests of third parties redundant, as third parties have no patent legal rights).

<sup>81</sup> Davison and Emerton, cited above fn. 39, p. 565.

<sup>82</sup> Davison and Emerton, cited above fn. 39, p. 565.

<sup>83</sup> *Canada – Patent Protection of Pharmaceutical Products*, WT/DS114/R, report of 17 March 2000, paragraph 7.69.

<sup>84</sup> *Canada – Patent Protection of Pharmaceutical Products*, WT/DS114/R, report of 17 March 2000, paragraph 7.82.

on their health. We have seen that such measures have been adopted or proposed in several countries in the field of tobacco, alcohol and (what is considered) unhealthy food, these measures aiming to correctly inform consumers and curb the promotional impact of the relevant brands.<sup>85</sup>

A complaint by trademark holders would be reasonable should the regulatory measure in question also prevent manufacturers from totally distinguishing their products from those of competitors. Yet this is not the case with measures highlighted in the second part of the article as they still allow brands to be sufficiently recognisable by consumers. For instance, the ban on the use on the pack of descriptors such as “mild”, “light”, “ultra-light” and “low-tar”,<sup>86</sup> in force in several jurisdictions,<sup>87</sup> does not prevent manufacturers from displaying their brands on the remaining part of the pack. This is exactly what the CJEU held in the proceedings involving the 2001 Tobacco Products Directive. Indeed the Court, called upon to examine the extent to which the prohibition of the above descriptors could infringe the fundamental right to property, including intellectual property and in particular trademark rights, noted that tobacco producers can keep using other distinctive signs on the packs. It indeed held that “[w]hile that article entails prohibition, in relation only to the packaging of tobacco products, on using a trade mark incorporating one of the descriptors referred to in that provision, the fact remains that a manufacturer of tobacco products may continue, notwithstanding the removal of that description from the packaging, to distinguish its product by using other distinctive signs”.<sup>88</sup>

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<sup>85</sup> That trademarks also aim at promoting the relevant products is well-known. Judicial bodies and trademark experts have confirmed that on many occasions.

For example, in its decision on the merger of Imperial Tobacco and Altadis the European Commission held that “the brand is key for the customers not only to identify products, but the image of the brand plays a very strong role for targeting the customer groups which feel attracted by a certain appeal” (Case No. COMP/M. 4581, Recital 68). Also, in *Google France* (Case C-236/08 to C-238/08) the CJEU held that “those functions [trademarks’ functions] include not only the essential function of the trade mark, which is to guarantee to consumers the origin of the goods or services [...] but also its other functions, in particular that of guaranteeing the quality of the goods or services in question and those of communication, investment or *advertising*” (emphasis added). See also *L’Oreal v Bellure* (Case C-487/07, paragraph 58). Likewise, in *Budějovický Budvar, národní podnik v Anheuser-Busch Inc* (C-482/09) Advocate General Verica Trstenjak stressed the “coding, guarantee, origin, identification and individualisation, information and communication, monopolising, naming, quality, distinction, confidence, distribution and *advertising* functions” of trademarks (emphasis added). Similarly, Justice Crennan in the Australian High Court ruling that has found domestic legislation on plain packaging constitutional held: “Whilst the prime concern of the Trade Marks Act is with the capacity of a trade mark to distinguish the goods of the registered owner from those of another trader, trade marks undoubtedly perform other functions. For example [...] it may be accepted that distinctive marks can have a capacity to advertise, and therefore to promote sale of products sold under or by reference to them. The advertising function of a trade mark is much more readily appreciated than it once was [...]”. *JT/BAT* [2012] HCA 43 at 286.

Several scholars have also stressed the advertising function of brands. For instance, Thomas McCarthy argued that “the mark actually helps to sell the goods” and cited what the authors of the Restatement had stressed: “As the geographical scope of markets expanded and systems of distribution became increasingly complex, trademarks came to function as an important instrument of advertising. [...] the mark itself can become a significant factor in stimulating sales” (see J. Thomas McCarthy, “McCarthy on Trademarks and Unfair Competition” (2003) Vol. 3, paragraphs 3:11-3:12).

<sup>86</sup> In addition to preventing deception amongst consumers, these bans also aim at neutralising promotional effects. The tobacco industry has indeed used on packaging terms such descriptors as a marketing strategy to discourage cessation and sustain corporate revenues. See Stacey J Anderson, Pamela M Ling, and Stanton A Glantz, “Implications of the federal court order banning the terms “light” and “mild”: what difference could it make?” (2007) *Tobacco Control*, 16(4), pp. 275-279.

<sup>87</sup> For example, this obligation has been in force in the EU since the first Tobacco Products Directive (2001/37/EC) (see Recital 27 and Article 7). See also the Uruguayan legislation mentioned above at the paragraph entitled “Measures Restricting the Use of Brands”.

<sup>88</sup> Case C-491/01, *The Queen v. Secretary of State for Health, ex parte British American Tobacco (Investments) Ltd and Imperial Tobacco Ltd*, decision of 10 December 2002, paragraph 152.

This is also true of the most drastic measure highlighted in this work, namely the plain packaging of tobacco products adopted by Australia. Whilst this marketing restriction prevents tobacco manufacturers from displaying non-word elements of their trademarks (with a view to curbing any promotional effect), it nonetheless allows them to show their word trademarks on the pack, albeit in a standardised and neutral form.<sup>89</sup> And word trademarks seem to be capable of distinguishing tobacco products in a retail environment.<sup>90</sup> For example in Australia, even before legislation on plain packaging was passed in 2011, tobacco products could not (and still cannot) be displayed at the point of sale (so called “display ban”). The only indication of the cigarette stock at the retail point is a list of the brands (word trademarks in a standard font and not accompanied by any fancy logo or image) and their price -<sup>91</sup> and tobacco consumers do make their purchase choice by relying on this list of word trademarks.<sup>92</sup> The introduction of plain packaging in Australia, therefore, has not changed the way consumers choose their preferred cigarette pack. What this has done is to prohibit the use of fancy, colourful and eye-catching elements of tobacco brands outside the course of trade (i.e. on the packaging which is usually shown in public after sale),<sup>93</sup> such ban aiming to prevent the promotion of what are unanimously considered harmful products.

The main problem surrounding the measures highlighted in this article lies in the fact that it is not possible to curb the promotional effects of packaging without “touching” some distinctive elements of the brand: indeed the two elements of trademarks (promotional and distinctive) overlap. If governments adopt measures aimed at neutralising the promotional effects of brands, it is inevitable that doing this will also lower their (abstract) distinctiveness.<sup>94</sup> Yet, this is not unlawful under trademark law as long as consumers are still able to distinguish the products in question, as it seems here the case.

Also, trademark owners could not challenge the packaging-related measures in question by invoking a loss in brand value. In particular, the Panel’s statement in *EC-Trademarks and Geographical Indications* that “taking account of that legitimate interest will also take account of the trademark owner’s interest in the economic value of its mark”<sup>95</sup> cannot be relied on to oppose the measures at issue.<sup>96</sup> It could not be invoked, in particular, to imply a positive right to use trademarks. Indeed, in the past, public authorities have adopted measures in the public interest that had the effect of reducing the value of brands (e.g., ban on advertising of tobacco products in TV, radio, sport events and ban on products placement), without owners formally complaining about a violation of an alleged right to use the brand.

### *Harmfulness of the product and IP analysis*

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<sup>89</sup> Alberto Alemanno and Enrico Bonadio, “Do You Mind My Smoking? Plain Packaging of Cigarettes Under the TRIPS Agreement” (2011) *The John Marshall Review of Intellectual Property Law*, 10(3), p. 457, fn. 45.

<sup>90</sup> In my previous co-authored work, cited above fn. 89, pp. 456-457, I also reported opposite opinions from several sources, including tobacco companies, highlighting a possible clash between plain packaging and tobacco trademarks’ distinctiveness.

<sup>91</sup> Davison and Emerton, cited above fn. 39, p. 510-511.

<sup>92</sup> Regular smokers often do not even look at the list of brands before purchasing the pack. They already know which brand they want to buy. See also Marsoof, cited above fn. 44, p. 209 (noting that “it is hard to imagine that a hard-core smoker would get confused as to the product he desires”).

<sup>93</sup> The primary impact of plain packaging is in social settings after customers have purchased the tobacco product: see Mark Davison, “International Intellectual Property Law”, in Tania Voon, Andrew Mitchell and Jonathan Liberman (eds), *Regulating Tobacco, Alcohol and Unhealthy Foods – The Legal Issue* (Routledge, 2014), p. 142.

<sup>94</sup> Davison, cited above fn. 174, p. 170.

<sup>95</sup> *European Communities — Protection of Trademarks and Geographical Indications for Agricultural Products and Foodstuffs* (Complaint by United States), WT/DS174/R, report of 15 March 2005, paragraph 7.664.

<sup>96</sup> The Panel’s statement in question has been invoked by some opponents of plain packaging of cigarettes: see for example Lalive, cited above 54, pp. 9-10 (and also cited in my and Alberto Alemanno’s work, cited above fn. 89, p. 461).

One might also argue that the fact that a product is harmful to consumers' health should not be invoked as a justification to prohibit or restrict the use of the relevant brands. It has been noted that "while many disagree with the use and sale of tobacco, this is *not* the issue here, nor should the nature of the product dictate the outcome of an intellectual property analysis".<sup>97</sup>

I believe this argument is flawed. The nature of the product is relevant and in certain circumstances may influence the outcome of IP analyses, especially when it comes to trademarks, designs and patents.<sup>98</sup> For instance, as we have seen,<sup>99</sup> when a trademark office rejects an application, or when a court invalidates a registration, on deceptiveness grounds, the said office or court does so because it has taken into consideration the nature of the goods upon which the sign in question must be placed. In several circumstances, therefore, trademarks and the products upon which they are affixed cannot be considered as separate entities.

Thus, my point is that the harmfulness of products is relevant – and public authorities reserve the right to adopt measures aimed at discouraging the consumption of such products by curbing the deceptive and promotional elements of their brands. And trademark owners cannot challenge these measures, especially the ones highlighted in this work, by invoking (non-existent) positive rights to use trademarks.

Take also the example of cannabis. If countries want to legalise the consumption of cannabis (and there are several governments which have already done so, or are currently discussing this legislative option), they may also want to protect consumers' health and thus prevent marijuana and hashish manufacturers and distributors to use colourful and eye-catching brands to promote their consumption.<sup>100</sup> Should we allow cannabis growers and distributors to stop these countries to pursue this legitimate public interest by permitting them to claim a positive right to use trademarks? My answer is no.

### **The privilege to use a sign**

We have seen that trademark registrations do not confer on their owners a positive right to use the sign. Mark Davison and Patrick Emerton interestingly argue, by building upon the concepts developed by Wesley Hohfeld,<sup>101</sup> that trademark owners only enjoy a privilege of using their trademarks, which is different from a right to use it.<sup>102</sup> A privilege – Davison and Emerton explain – is not a right in its strict sense. It is just a legal permission to engage in conduct. In the absence of trademark legislations – the argument goes – any person would have the privilege of using a sign. That is why registrations are granted, namely in order to offer exclusive rights to prevent third parties from exploiting the brand as well as to restrict the privilege to use a trademark. Yet, privileges may be defeasible: in other words they may be taken away by public authorities when it comes to pursuing public interests.<sup>103</sup>

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<sup>97</sup> Gervais, cited above fn. 29, p. 33.

<sup>98</sup> Indeed, trademarks, designs and inventions (unlike copyright) can be excluded from protection if the subject matter is immoral, scandalous or contrary to public policy – and such assessment is often carried out taking into account the product incorporating the intangible asset.

<sup>99</sup> See above the sub-paragraph *Registration v. use*.

<sup>100</sup> See also Davison, cited above fn. 62, p. 168 (mentioning similar examples).

<sup>101</sup> Wesley Newcomb Hohfeld, "Fundamental Legal Conceptions as Applied in Judicial Reasoning" (ed. David Campbell and Philip Thomas) (Ashgate 2001).

<sup>102</sup> Davison and Emerton, cited above fn. 39, p. 517 et seq. See also Marsoof, cited above fn. 44, p. 204 (noting that "the right to exclude incorporated in article 16 of TRIPs gives effect to, and protects, a privilege that a trademark owner would usually enjoy in the use of its mark").

<sup>103</sup> Davison and Emerton, cited above fn. 39, p. 522.

The regulatory measures highlighted above<sup>104</sup> are good examples of cases where public authorities lawfully defeat tobacco, alcohol and (unhealthy) food manufacturers' privileges to fully use their signs on packaging. In these circumstances governments' interest in preventing or restricting the use of brands which promote the consumption of harmful products and convey deceptive messages about their health consequences, i.e. legitimate public interests, outweighs the privilege to fully use those signs.<sup>105</sup>

## Article 20 TRIPS

Article 20 TRIPS Agreement is an important provision for the present analysis as it deals with use of trademarks. It states that "the use of a trademark in the course of trade shall not be unjustifiably encumbered by special requirements, such as use with another trademark, use in a special form or use in a manner detrimental to its capability to distinguish the goods or services of one undertaking from those of other undertakings".

A scholar noted that this provision would imply a positive right to use a trademark "because otherwise there would be no need to cabin the power of WTO Members to 'encumber' such use".<sup>106</sup> It would follow that Article 20 would represent a big obstacle for governments that wish to prohibit or restrict the use of brands.

First (and again), this argument seems flawed for the reasons highlighted above at the paragraph "The alleged 'spirit' of international trademark law". The view that Article 20 does not create a right to use<sup>107</sup> is further reinforced by the legislative practice of many countries in the specific field of tobacco. In the latest years several states have indeed imposed tobacco advertising restrictions which entail the inability of manufacturers to fully use tobacco brands. As has been rightly argued,<sup>108</sup> such a practice constitutes "subsequent practice in the application of the treaty which establishes the agreement of the parties regarding its interpretation" (Article 31(3)(b) of the Vienna Convention on the Laws of Treaties)<sup>109</sup> and is therefore relevant to an interpretation of Article 20 TRIPS. This practice should therefore lend weight to an interpretation of this provision which does not imply any positive right to use a trademark. After all, none has ever formally complained by arguing that tobacco advertising restrictions curtail an implied right to use brands.

It is important to stress that Article 20 does not ban a complete prohibition on the use of trademarks, but just (unjustifiable) positive encumbrances, namely the possibility for governments to mandate specific requirements about how to use brands.<sup>110</sup> The three examples referred to in Article 20 (i.e., use with another trademark, use in a special form or use in a manner detrimental to its capability to distinguish the goods or services of one undertaking from those of other undertakings)<sup>111</sup> confirms

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<sup>104</sup> See the paragraph entitled "Regulatory measures restricting the use of brands in the fields of tobacco, alcohol and food".

<sup>105</sup> Davison and Emerton, cited above fn. 39, p. 565.

<sup>106</sup> Gervais, cited above fn. 29, p. 12. See also Phillip Johnson, "Trade marks without a brand: the proposals on plain packaging of tobacco products" (2012) *European Intellectual Property Review*, pp. 461-470, at p. 466.

<sup>107</sup> Nuno Pires de Carvalho, "The TRIPS Regime of Trademarks and Designs, Comment to Article 20 TRIPS" (Kluwer 2011), p. 417 (noting that Article 20 does not "provide, explicitly or implicitly, that WTO Members are obliged to recognize the right to use trademarks, even if the commercialization of goods is permitted").

<sup>108</sup> McGrady, cited above fn. 46, p. 62.

<sup>109</sup> The Vienna Convention was adopted on 22 May 1969 and entered into force in 1980.

<sup>110</sup> McGrady, cited above fn. 46, p. 62 (noting that Article 20 TRIPS prohibits measures that govern how brands may be used, but not measures which govern when and where trademarks can be used).

<sup>111</sup> The way Article 20 is structured makes it clear that positive encumbrances which reduce the distinctive character of brands are allowed, provided that they are justifiable. See Carvalho, cited above fn. 107, p. 442 (noting that "Article 20 goes as far as admitting, where justifiable (by public policy concerns), requirements concerning the use of trademarks

this interpretation as they all refer to actual use of brands.<sup>112</sup> A typical example of unjustifiable positive encumbrance, which Article 20 prohibits, is an obligation on foreign owners to use their brands together with the signs of local licensees.<sup>113</sup> According to this interpretation of the TRIPS provision, therefore, total bans on the use of trademarks or some of their elements are lawful, as such measures do not provide any positive encumbrance on the use of brands (e.g., the prohibition to use non-word signs triggered by the plain packaging in Australia; the ban on the use of descriptors and colours on cigarettes packs; and the South African and EU bans on the use of baby-related logos on infant formula packaging). Basically, they are not regulated (and therefore prohibited) by Article 20.<sup>114</sup>

What about positive encumbrances on the use of trademarks triggered by the imposition of large health warnings on tobacco, alcohol and food packaging? These measures are indeed encumbrances on the use of trademarks as the space for affixing brands is reduced. The same holds true for the plain packaging of cigarettes adopted by Australia which dictates a much reduced, standard and neutral font for word trademarks. Are such encumbrances “justifiable” and therefore allowed by Article 20 TRIPS? I believe so. They are justifiable as they aim to promote public health.<sup>115</sup> In other words, “justifiability” here refers to the legitimate interests of governments to protect a public interest by encumbering the promotional and deceptive use of brands in connection with unhealthy products.<sup>116</sup>

What Article 20 entails is basically a balancing exercise between various interests and rights, including interests of trademark owners in using their signs for distinctive purposes and the right of governments in preventing uses of brands which mislead consumers about health consequences and promote harmful products.<sup>117</sup> And it seems that the measures in question guarantee a justifiable balance between curtailing the promotion of tobacco, alcohol and unhealthy foodstuff (a governments’ right) and allowing the differentiation of the goods in question.<sup>118</sup> For example, we have seen that after the adoption of the regulatory measures at issue trademark owners can still distinguish their products by using word signs on packs, although in a standardised format (in case of plain packaging adopted by Australia) or even their original brands, although in a reduced space of the packaging (in case of mandatory health warnings on tobacco, alcohol and foodstuff packaging).<sup>119</sup>

## Effectiveness of the measures in question

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‘that are detrimental to [their] capability to distinguish the goods or services of one undertaking from those of other undertakings’”).

<sup>112</sup> Davison, cited above fn. 62, p. 162.

<sup>113</sup> Before TRIPS some developing countries, including Brazil, Mexico and India, sought to strengthen the contractual power of local licensees towards foreign partners, and requested that the licensed trademark be used together with the sign used by the former. Such measures now would not be permitted under Article 20 TRIPS.

<sup>114</sup> Carvalho, cited above fn. 107, p. 441, fn. 975 (noting that the use of brands may be suppressed by governments).

<sup>115</sup> See also Carvalho, cited above fn. 107, pp. 441-442 (arguing that the imposition of health warnings and notices on the risk of consumption of harmful products, size and colours of letters and characters of brands are to be considered justifiable under Article 20 TRIPS).

<sup>116</sup> Davison and Emerton, cited above fn. 39, p. 566.

<sup>117</sup> Davison and Emerton, cited above fn. 39, p. 567.

<sup>118</sup> Davison, cited above fn. 93, p. 142.

<sup>119</sup> As far as tobacco-related measures are concerned, see again the CJEU’s decision on the ban on the use on the pack of descriptors such as “mild”, “light”, “ultra-light” and “low-tar” in the proceedings involving the 2001 Tobacco Products Directive. As we have seen, in that ruling the Court basically held that the prohibition in question is proportionate to the aim pursued (i.e. reducing tobacco consumption) as manufacturers can keep using other distinctive signs on the packs: see Case C-491/01, *The Queen v. Secretary of State for Health, ex parte British American Tobacco (Investments) Ltd and Imperial Tobacco Ltd*, decision of 10 December 2002, paragraph 152.



The measures analysed in this article seem also effective. Australia, for example, has justified its legislation on plain packaging of tobacco products by relying on – what I believe is - convincing evidence.<sup>120</sup> Recent figures released by the Australian Bureau of Statistics (ABS) also show that total consumption of tobacco and cigarettes in the first quarter of 2014 in Australia is the lowest ever recorded.<sup>121</sup> Moreover, the introduction of plain packaging has triggered a significant spike in Australian callers to Quitline, the telephone helpline offering treatment for addiction and behaviour change.<sup>122</sup>

The above data indirectly show that the “brand switching” theory, invoked by the tobacco industry to dispute the effectiveness of plain packaging, is not really convincing. According to this theory, the use of tobacco brands on packaging would just be capable of making consumers shift from one brand to another (say, from Marlboro to Camel) and would not therefore be “an invitation to consume”<sup>123</sup> for non smokers. On the contrary trademarks, especially when affixed on packaging of products like tobacco (whose main competitive asset is exactly the packaging), are not just about distinguishing brands and acquiring market share of competitors. They are also about expanding the size of the market by convincing new consumers to use the relevant product.<sup>124</sup>

Convincing evidence has also been brought in relation to health warnings. For example, as far as tobacco and alcoholic products are concerned, early and recent research has shown that such warnings are effective in raising awareness of health risks stemming from tobacco and alcohol consumption and influencing health related behaviours.<sup>125</sup>

There appears therefore to be a causal link between the measures in question and the protection of the specific public interest, i.e. consumers’ health, in the sense that such measures are capable of meeting the desired target. The governments that have introduced them seem thus able to justify the

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<sup>120</sup> See the report “Plain Packaging of Tobacco Products: a review of the evidence” (2011), prepared by Quit Victoria, Cancer Council Victoria, May 2011 (available at [http://www.cancer.org.au/content/pdf/CancerControlPolicy/PositionStatements/TCUCCVBkgrndResrchPlainPak27051\\_1ReEnd\\_FINAL\\_May27.pdf](http://www.cancer.org.au/content/pdf/CancerControlPolicy/PositionStatements/TCUCCVBkgrndResrchPlainPak27051_1ReEnd_FINAL_May27.pdf), last accessed on 18 September 2014); see also Melanie Wakefield Daniella Germain, Sarah Durkin, David Hammond, Marvin Goldberg, Ron Borland, “Do larger pictorial health warnings diminish the need for plain packaging of cigarettes?” (June 2012), *Addiction* 107/6, pp. 1159–1167; David Hammond, Samantha Daniel, Christine M. White, “The Effect of Cigarette Branding and Plain Packaging on Female Youth in the United Kingdom”, *Journal of Adolescent Health* (2013), 52/2, pp.151-157. For early doubts expressed by the tobacco industry regarding the effectiveness of plain packaging see my and Alberto Alemanno’s previous work, cited above fn. 89, pp. 472-473.

<sup>121</sup> See the Internet website of the Australian Department of Health at <http://www.health.gov.au/internet/main/publishing.nsf/Content/tobacco-kff> (last accessed on 18 September 2014). See also Mike Daube and Simon Chapman, “*The Australian’s* Dissembling Campaign on tobacco plain packaging” (2014) *Medical Journal of Australia*, 201(3):1 (citing other interest data in support of the measure).

<sup>122</sup> Jane M Young, Ingrid Stacey, Timothy A Dobbins, Sally Dunlop, Anita L Dessaix and David C Currow, “Association between tobacco plain packaging and Quitline calls: a population-based, interrupted time-series analysis” (2014) *Medical Journal of Australia*, 200(1), pp. 29-32.

<sup>123</sup> Annette Kur, “Restrictions Under Trademark Law as Flanking Maneuvres to Support Advertising Bans – Convention Law Aspects” (1992) *International Review of Industrial Property and Copyright Law*, p. 42; Mitchell, cited above fn. 56, p. 404 (reporting the opinion of plain packaging discontents: “One argument is that packaging has no impact on consumption, and is designed to encourage existing smokers to switch brands and build brand loyalty, rather than encourage the uptake of smoking. In other words it is about increasing market share rather than the size of the market”).

<sup>124</sup> Davison, cited above fn. 62, p. 169.

<sup>125</sup> See Campaign for Tobacco-Free Kids, “Tobacco Warning Labels: Evidence of Effectiveness” (2013), available on <http://www.tobaccofreekids.org/research/factsheets/pdf/0325.pdf> (last accessed on 18 September 2014) (reporting the results of several scientific studies); M.S. Wogalter et al. “Research-based guidelines for warning design and evaluation” (2002), *Applied Ergonomics*, 33, pp. 219-230.

measures under Article 8 TRIPS, which entails a suitability test: “Members may, in formulating or amending their laws and regulations, adopt measures necessary to protect public health and nutrition, and to promote the public interest in sectors of vital importance to their socio-economic and technological development [...]”.<sup>126</sup> This provision has not been interpreted thus far by a WTO adjudicatory body.<sup>127</sup> Yet, the provision of another WTO agreement, i.e. Article XX GATT (which allows states to restrict the trade of goods if it is necessary to protect human health), and the way it has been interpreted by the WTO Panels and the Appellate Body on several occasions, could be here relevant.<sup>128</sup> For instance, in *Brazil – Retreated Tyres* the Appellate Body found that a country trying to justify its measure under Article XX GATT should show that such measure “brings about a material contribution to the achievement of its objectives”.<sup>129</sup> This finding could be applied, *mutatis mutandis*, to Article 8 TRIPS and the measures highlighted in the article: indeed, there is little doubt that the evidence gathered in support of them show that these measures at least bring about a “material contribution” to consumers’ health.

## Conclusion

This article has made the point that economic operators do not have complete freedom to use trademarks, and public authorities have the right and duty to restrict such freedom if that is necessary to protect consumers’ health.

Brands can therefore be subject to regulatory interventions, which impair their ability to be exploited in the course of trade. The packaging-related measures analysed in the article are good examples of such intervention. They aim, in particular, at correctly informing consumers about the health risks stemming from the consumption of tobacco, alcohol and unhealthy foodstuff and convincing them not to consume such products. As has been argued with particular reference to tobacco, these measures neutralise and replace the market-driven positive associations conveyed by the brand.<sup>130</sup>

What is important to stress is that such measures do not actually prevent consumers from purchasing and use the product which is deemed harmful. The products in question remain legal, and everybody has the freedom to buy and consume them. What governments aim to achieve by prohibiting or restricting the use of brands in connection with these goods is just to push members of the public to behave the way they deem is correct, i.e. not to consume said products. The idea is: “we don’t mandate people, we just suggest them what is best for them”.

More importantly, the measures in question do not violate trademark-related provisions of the TRIPS Agreement and the Paris Convention because trademark registrations do not offer a positive right to use the sign, which can then be prohibited or restricted by public authorities to further public interests. The opposing argument focused on an alleged purposive interpretation of international trademark provisions (which suggests that a trademark registration would be closely

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<sup>126</sup> The importance of Article 8 TRIPS has been stressed by the Doha Declaration on the TRIPS Agreement and Public Health (WT/MIN(01)/DEC/2), adopted by the WTO Ministerial Conference on 14 November 2011. Its Paragraph 4 indeed reminds that WTO countries agree that TRIPS does not and should not prevent members from taking measures to protect public health.

<sup>127</sup> The “justifiability” test under Article 20 TRIPS has not been interpreted, either.

<sup>128</sup> Tania Voon and Andrew Mitchell, “Implications of WTO law for plain packaging of tobacco products” in Voon, Mitchell, Liberman (eds.), cited above fn. 14, pp. 125-129.

<sup>129</sup> *Brazil – Measures Affecting Imports of Retreated Tyres*, WT/DS135/AB/R, decision of 3 December 2007, paragraphs 150-151.

<sup>130</sup> Marsoof, cited above fn. 44.

linked to use, and that the former would generate the right to the latter) should be refused. After all, that registrations offer just negative rights to use the brand has already been confirmed by the WTO Panel in *EC – Trademarks and Geographical Indications* –<sup>131</sup> and it is likely that the WTO Panel’s decision in the disputes brought against Australian legislation on plain packaging will soon reiterate such (in my opinion, right) interpretation.

Finally, the measures in question seem to be effective in light of the evidence thus far gathered. In other words, the prohibitions and restrictions on the use of brands analysed in the article are capable of meeting the desired target, i.e. consumers’ health. They also seem proportionate to such aim as tobacco, alcohol and food manufacturers are still able to use their brands, although in a neutral and standardised format or in a reduced space of the packaging, thus guaranteeing a balance between the need to curb the promotional aspects of these trademarks and the need to differentiate the relevant products on the market.

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<sup>131</sup> See above the paragraph “Trademarks as negative rights” and fn. 32.